

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Bishop International Airport Authority	County Genesee
Audit Date December 31, 2006	Opinion Date February 12, 2007	Date Accountant Report Submitted to Sate: March 8, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations


You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	To Be Enclosed	Not Forwarded	Required
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The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C. CPAs			
Street Address 4468 Oak Bridge Drive	City Flint	State MI	ZIP 48532
Accountant Signature 			

**BISHOP INTERNATIONAL
AIRPORT AUTHORITY**

Flint, Michigan

**Annual Financial Statements
and Auditors' Report**

December 31, 2006

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Independent Auditors' Report

Board of Directors
Bishop International Airport Authority

We have audited the accompanying financial statements of the business-type activities of Bishop International Airport Authority as of December 31, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities position of Bishop International Airport Authority at December 31, 2006 and 2005 and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2007, on our consideration of Bishop International Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Yeo & Yeo, P.C.

Flint, Michigan
February 12, 2007





MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the Bishop International Airport activities and financial performance provides an introduction to the financial statements of the Bishop International Airport Authority (the Authority) for the fiscal year ended December 31, 2006. The information contained in this MD&A should be considered in conjunction with the information contained in the Annual Financial Statements and Auditor's Report and the accompanying additional information.

Following this MD&A are the financial Statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements. In addition to the basic financial statements and accompanying notes this report also presents certain *required supplementary information* regarding capital assets and accumulated depreciation, debt service requirements to maturity and a schedule of governmental payments and services.

AIRPORT ACTIVITIES HIGHLIGHTS

Intermodal Center

In January of this year, the Authority closed on the first piece of property needed for the creation of the new Intermodal Center.

In February the Authority approved a contract for the design of the West Cargo Apron in anticipation of a Federal Grant which was accepted by the Board in May. This ramp expansion is necessary for air access for Phase I of the Intermodal Center.

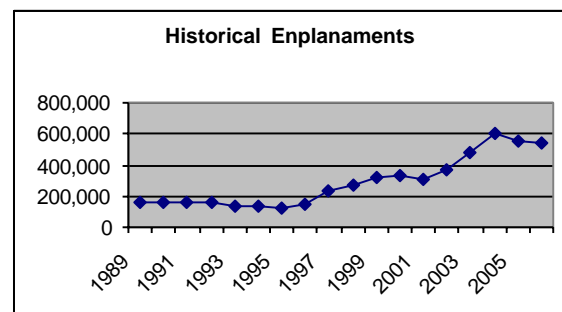
In June the Authority approved an agreement with the Genesee County Road Commission to guarantee match funds for Bristol Road Improvements necessary for the Intermodal Center.

In September the Authority accepted a grant from the Michigan Department of Transportation in the amount of \$4.4 million dollars for land acquisition.

In November the Authority approved a contract for the Intermodal Facility design.

In December the Charles Stewart Mott Foundation announced that it intends to provide up to \$10 million dollars over the next several years for Bishop International Airport's planned Intermodal Hub.

Statistics



For the second year in a row, passenger traffic declined at the Airport. Passenger enplanements finished the year down 4.11% over last year despite the addition of American Eagle flights to Chicago O'Hare. Eagle began with two flights in mid December 2005 and expanded to three in June of 2006.

Total Passengers	2005	2006	Percentage Change
Enplanements	558,702	535,744	-4.11%
Deplanements	543,770	526,984	-3.09%
Total Passengers	1,102,472	1,062,728	-3.60%

While the Airport again topped the 1 million annual passenger mark, the 8.24% decrease in available seats severely limited the ability to grow.

Enplanements vs Available Seats	2005	2006	Percentage Change
Enplanements	558,702	535,744	-4.11%
Seats	812,426	745,478	-8.24%
Annual Load Factor	68.77%	71.87%	

Enplaned Air Cargo and Freight increased 3.32% for the year.

Cargo & Freight	2005	2006	Percentage Change
Enplaned Freight	13,744,672	14,200,514	3.32%
Deplaned Freight	19,218,666	18,470,331	-3.89%
Total Cargo & Freight (lbs)	32,963,338	32,670,845	-0.89%

Aircraft Operations continued to decline finishing the year down 21.86%. Operations of locally based aircraft drove the decline with a decrease of over 32% for the year.

	2005	2006	Percentage Change
Total Operations	116,797	91,268	-21.86%

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$131,352,883 (net assets). Of this amount, \$15,420,137 (unrestricted net assets) may be used to meet the airport's ongoing obligations to its creditors. Net Assets increased by \$14.7million or 12.6% for the year with \$3.7million of that being unrestricted.

A condensed summary of the Authority's net assets at December 31 is shown as follows:

	2006	2005
ASSETS		
Current and other assets	\$ 25,552,878	\$ 21,947,703
Capital assets	144,491,293	134,417,979
Total assets	<u>170,044,171</u>	<u>156,365,682</u>
LIABILITIES		
Long-term debt outstanding	30,663,014	31,831,289
Other liabilities	8,028,274	7,900,232
Total liabilities	<u>38,691,288</u>	<u>39,731,521</u>
NET ASSETS		
Invested in capital assets, net of related debt	113,792,395	102,908,235
Restricted	2,140,351	2,051,448
Unrestricted	15,420,137	11,674,478
TOTAL NET ASSETS	<u>\$ 131,352,883</u>	<u>\$ 116,634,161</u>

The largest portion of the Authority's net assets each year 86.6% at December 31, 2006) represents its investment in capital assets (e.g., land, building, improvements and equipment) less any related outstanding debt used to acquire those capital assets. The Authority uses these capital assets to provide services to the many passengers and the "meeters and greeters" who visit the Airport; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from its operations, since the capital assets themselves cannot be used to liquidate liabilities.

FINANCIAL OPERATIONS HIGHLIGHTS

Operating Revenues increased by \$.8 million or 7.1%. The decrease in passenger traffic which would have resulted in lower operating revenues was offset by increased parking rates which went into effect in May of 2006, and increased facility rentals.

Operating Expenses increased by \$.9 million or 12.8%. The largest single percentage increase was in contractual services which were up by 64.6%.

As a result of the above, operating income before depreciation decreased \$.1 million dollars (2.04%).

Non-Operating Revenue/(Expense) decreased from \$1.6 million in 2005 to \$1.4 million in 2006 with to increased investment income offsetting increased interest expense.

Income before capital contributions decreased \$.5 million from 2005 numbers.

Contributions received in the form of grants from the Federal, State and Local sources increased from \$4.5 million in 2005 to 11.6 million in 2006. This includes a \$2.5 million grant from the Charles Stewart Mott Foundation for the intermodal center.

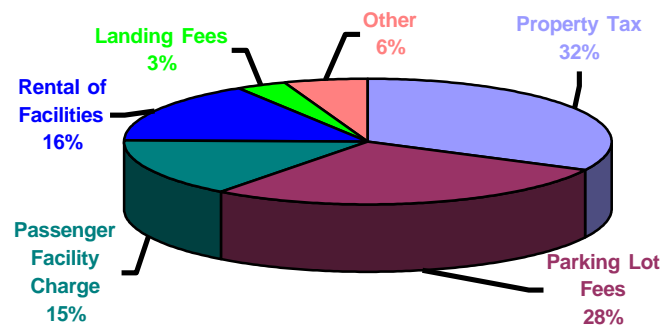
The increase in net assets for 2006 was \$14.7 million compared to \$8.2 million in 2005.

SUMMARY OF CHANGES IN NET ASSETS

	2006	2005
Operating revenues	\$ 12,458,289	\$ 11,629,498
Operating expenses	8,078,925	7,158,934
Operating income before depreciation and non-operating revenues and expenses	4,379,364	4,470,564
Depreciation	2,658,779	2,410,964
Operating income before non-operating revenues and expenses	1,720,585	2,059,600
Other non-operating revenues and expenses, net	1,421,968	1,626,485
Income before capital contributions	3,142,553	3,686,085
Capital contributions	11,576,169	4,477,384
Increase in net assets	<u>\$ 14,718,722</u>	<u>\$ 8,163,469</u>

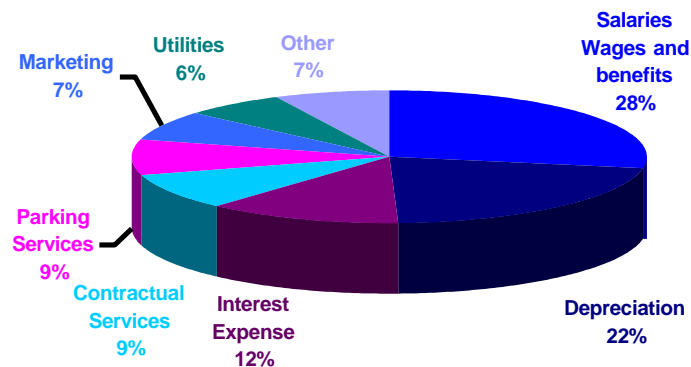
REVENUES

This chart shows the major sources by percentage of the total operating and non-operating revenues from all sources for the year ended December 31, 2006.



EXPENSES

This chart shows the major expense categories including depreciation and interest for the year ended December 31, 2006.



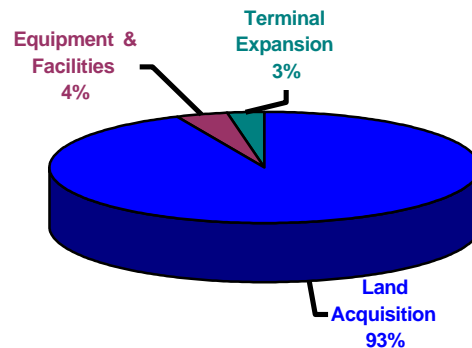
FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principals promulgated by the GASB. The Authority is structured as a single enterprise fund with revenues recorded when earned and expenses recorded as incurred. Capital Assets are capitalized and (except land and land improvements) are depreciated over their useful lives. See notes to the financial statements for a summary of the Authority's significant accounting policies.

CAPITAL ACQUISITION AND CONSTRUCTION ACTIVITIES

During 2006, the Authority expended \$7.5 million on capital activities.

Projects closed from construction in progress to the respective capital accounts included buildings, both through acquisition and terminal expansion, and parking improvements. There were no projects which were funded jointly by the Federal Aviation Administration the State of Michigan and the Authority closed during the year. The close outs were added to capital accounts as follows:



Buildings	\$5.6 million
Land Improvement	1.7 million

Capital asset acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including Federal State and Local Grants, debt issuance and Airport revenues.

LONG-TERM DEBT ADMINISTRATION

In 1988 the Authority took financial responsibility of the Airport from the City of Flint under the terms of a 99 lease year lease with a 99 year option. During 1990, the City and the Authority finalized negotiations as to the assets to be transferred under the lease agreement and the liabilities to be assumed by the Authority. In a memorandum of understanding the Authority agreed to pay the City of Flint \$1,336,000 due in the year 2012. Zero coupon bonds which mature in 2012 have been purchased and are being held by the Authority to retire this debt in 2012.

In 1999, the Authority issued three different bond series with two issues outstanding as of December 31, 2006 as follows:

Issue	Original Amount of Issue	Outstanding Balance at December 31, 2006
Series 1999-A Limited Tax General Obligation Refunding Bonds	\$ 10,555,000	\$ 10,555,000
Series 1999-B Airport Revenue Bonds	14,500,000	11,555,000

In 2003, the Authority issued additional debt as follows:

Issue	Original Amount of Issue	Outstanding Balance at December 31, 2006
Series 2003-A Airport Revenue Bonds	\$ 9,150,000	\$ 8,335,000

Additional detail can be found in Note 6 of the accompanied notes to the Financial Statements.

CREDIT RATING AND BOND ISSUANCE

During the 2003 calendar year in conjunction with the issuance of the Airport Revenue Bonds, Series 2003-A, the Authority sought and obtained underlying municipal bond ratings from Moody's: "A3" and Standard and Poor's "BBB+". June 15, 2005 Standard & Poor's announced that the rating on these bonds was raised to AA/A-(SPUR) and they assigned their "A-" SPUR to the Authority's outstanding series 1999B. In May of 2006 Moody's affirmed Bishop's A3 debt rating with an outlook of "Stable".

The 2003-A Series Bond is insured and carries the following ratings:

Issue	Insurance	Agency	Insured Rating
Airport Revenue Bonds Series 2003-A	Radian Asset Assurance	Moody's	A3
		Standard and Poor's	AA

The two 1999 Series Bonds are insured and carry ratings with insurance as follows:

Issue	Insurance	Agency	Insured Rating
Series 1999-A	Ambac	Moody's	Aaa
		Standard and Poor's	AAA
Series 1999-B	ACA	Fitch IBCA	A
		Standard & Poor's	A

PASSENGER FACILITY CHARGE (PFC)

The Authority initially received approval to impose and use a PFC of \$3.00 per enplaned passenger beginning October 1993 in an amount not to exceed \$32,296,450 for six projects associated with the construction of our new terminal. Effective October 1, 2001 the Authority received approval to amend the amount to \$31,865,870 and increase collections to \$4.50 per enplaned passenger. Through December 31, 2006, the Authority has collected PFCs totaling \$16,540,930. For further details, see the schedule of Passenger Facility Charges Collected and Expended for the year ended December 31, 2006.

ACKNOWLEDGMENTS

I wish to thank the members of the Authority Board for their continued interest and support, James L. Rice II A.A.E. Airport Director, the finance and administrative staff, as well as the rest of the Authority employees. The individual dedication of each of the Authority's employees and Board members combines to create the team which is responsible for the Authority's financial success.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'L. Brant', with a stylized flourish at the end.

Linda M. Brant, A.A.E.
Deputy Airport Director - Finance and Administration
Chief Financial Officer

Bishop International Airport Authority
Balance Sheets
December 31, 2006 and 2005

	December 31,			December 31,	
	2006	2005		2006	2005
<u>Assets</u>			<u>Liabilities</u>		
Current assets			Current liabilities		
Cash and cash equivalents	\$ 9,788,667	\$ 10,335,197	Accounts and contracts payable	\$ 635,852	\$ 787,856
Investments	1,527,821	1,328,089	Accrued wages and benefits	612,547	565,023
Due from other governmental units	3,999,485	-	Deferred revenue	5,491,614	5,155,715
Property taxes receivable	5,216,347	4,867,740	Current portion of long-term obligations	1,165,000	1,105,000
Accounts receivable	540,348	527,395		<u>7,905,013</u>	<u>7,613,594</u>
Prepaid expense	188,863	268,147			
	<u>21,261,531</u>	<u>17,326,568</u>			
Restricted assets			Amounts payable from restricted assets		
Cash and cash equivalents	200,656	384,138	Accounts payable	-	159,273
Investments	3,008,141	2,968,169	Accrued interest payable	123,261	127,365
	<u>3,208,797</u>	<u>3,352,307</u>		<u>123,261</u>	<u>286,638</u>
Capital Assets			Long-term obligations, net of current portion		
Land	22,915,301	22,915,301	Bonds payable	29,327,014	30,495,289
Land improvements	69,697,518	68,032,133	Obligation due to City of Flint	1,336,000	1,336,000
Buildings	54,046,142	48,412,047		<u>30,663,014</u>	<u>31,831,289</u>
Equipment	5,750,653	5,518,853	Total liabilities	<u>38,691,288</u>	<u>39,731,521</u>
Construction in progress	14,255,609	9,157,930			
	<u>166,665,223</u>	<u>154,036,264</u>	Net Assets		
Less accumulated depreciation	<u>(22,173,930)</u>	<u>(19,618,285)</u>	Invested in capital assets, net of related debt	113,792,395	102,908,235
	<u>144,491,293</u>	<u>134,417,979</u>	Restricted for bond reserve	2,140,351	2,051,448
Other assets			Unrestricted	15,420,137	11,674,478
Deposits	90,417	246,265		<u>131,352,883</u>	<u>116,634,161</u>
Deferred charges	992,133	1,022,563			
	<u>1,082,550</u>	<u>1,268,828</u>			
Total assets	<u>\$ 170,044,171</u>	<u>\$ 156,365,682</u>	Total liabilities and net assets	<u>\$ 170,044,171</u>	<u>\$ 156,365,682</u>

See Accompanying Notes to Financial Statements

Bishop International Airport Authority
Statements of Revenues, Expenses and
Changes In Net Assets
Years Ended December 31, 2006 and 2005

	2006	2005
Operating revenues		
Property taxes	\$ 5,012,589	\$ 4,892,602
Parking lot fees	4,283,192	3,871,931
Rental of facilities	2,460,076	2,112,673
Landing fees	489,954	537,419
Fuel flowage fees	17,602	20,845
TSA reimbursement	128,597	125,478
Other	66,279	68,550
Total operating revenue	<u>12,458,289</u>	<u>11,629,498</u>
Operating expenses		
Salaries, wages and fringe benefits	3,401,569	3,254,717
Marketing/public relations	880,258	888,781
Parking service	1,060,645	892,961
Contractual services	1,079,732	655,930
Utilities	789,263	669,503
Repairs and maintenance	328,671	282,887
Supplies	241,069	233,945
Insurance	258,058	241,985
Other	39,660	38,225
Total operating expenses	<u>8,078,925</u>	<u>7,158,934</u>
Operating income before depreciation	4,379,364	4,470,564
Depreciation	<u>2,658,779</u>	<u>2,410,964</u>
Operating income	<u>1,720,585</u>	<u>2,059,600</u>
Nonoperating revenues and expenses		
Passenger facility charges	2,324,000	2,371,014
Investment income	649,396	506,588
Interest expense	(1,523,998)	(1,225,228)
Amortization of bond issuance costs	(27,430)	(25,889)
Total nonoperating revenues and expenses	<u>1,421,968</u>	<u>1,626,485</u>
Income before capital grants	3,142,553	3,686,085
Capital grants		
Local	2,500,000	-
State	4,148,366	94,504
Federal	4,927,803	4,382,880
Total capital grants	<u>11,576,169</u>	<u>4,477,384</u>
Net assets		
Increase in net assets	14,718,722	8,163,469
Total net assets, beginning of year	<u>116,634,161</u>	<u>108,470,692</u>
Total net assets, end of year	<u>\$ 131,352,883</u>	<u>\$ 116,634,161</u>

See Accompanying Notes to Financial Statements

Bishop International Airport Authority
Statements of Cash Flows
Years Ended December 31, 2006 and 2005

	2006	2005
Cash Flows From Operating Activities		
Cash received from providing services	\$ 12,432,628	\$ 11,597,814
Cash paid to suppliers	(4,750,076)	(3,636,719)
Cash paid to employees	(3,354,045)	(3,209,155)
Net cash provided by operating activities	<u>4,328,507</u>	<u>4,751,940</u>
Cash Flows from Capital and Related Financing Activities		
Passenger facility charges	2,324,000	2,392,959
Principal repayments on outstanding bonds	(1,105,000)	(1,055,000)
Acquisition of property and equipment	(7,746,000)	(4,443,746)
Proceeds from sale of fixed assets	34,452	25,018
Repayment of GM tax settlements	-	(5,382)
Interest on long-term obligations	(1,528,377)	(1,203,261)
Capital grant	2,500,000	-
Net (increase) decrease in deposits	<u>155,848</u>	<u>(194,001)</u>
Net cash used by capital and related financing activities	<u>(5,365,077)</u>	<u>(4,483,413)</u>
Net Cash Flows from Investing Activities		
Purchase of investments	(74,894,484)	(60,792,181)
Sale or maturity of investments	74,614,928	58,174,942
Investment income	586,114	494,010
Net cash provided (used) by investing activities	<u>306,558</u>	<u>(2,123,229)</u>
Net increase (decrease) in cash and cash equivalents	<u>(730,012)</u>	<u>(1,854,702)</u>
Cash and cash equivalents at beginning of year	<u>10,719,335</u>	<u>12,574,037</u>
Cash and cash equivalents at end of year	<u>\$ 9,989,323</u>	<u>\$ 10,719,335</u>
Non-Cash Transactions		
Acquisitions of property and equipment from capital grants	<u>\$ 5,076,684</u>	<u>\$ 4,477,384</u>
Reconciliation of Operating Income to Net cash Provided by Operating Activities		
Operating income	\$ 1,720,585	\$ 2,059,601
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	2,658,779	2,410,964
Change in assets		
Property taxes receivable	(348,607)	(346,887)
Accounts receivable	(12,953)	65,243
Prepaid expenses	79,284	(80,832)
Change in liabilities		
Accounts and contracts payable	(152,004)	348,329
Accrued wages and benefits	47,524	45,562
Deferred revenue	335,899	249,960
Net cash provided by operating activities	<u>\$ 4,328,507</u>	<u>\$ 4,751,940</u>

See Accompanying Notes to Financial Statements

Bishop International Airport Authority
Notes to Financial Statements
December 31, 2006

NOTE 1 - Summary of Significant Accounting Policies

Bishop International Airport Authority ("Authority") was established under state statute on August 10, 1987 by resolution of the legislative bodies of the City of Flint ("City") and County of Genesee ("County"). The Authority was established to operate the Bishop International Airport ("Airport"). Prior to May 8, 1988, the Airport was a component unit of the City and the Airport financial statements were incorporated within the City's comprehensive annual financial report. Effective May 9, 1988, the operations of the Airport were transferred and leased to the Authority for a term of 99 years (\$ 1.00 per year). As described in Note 2, the City transferred to the Authority the assets (principally property and equipment), net of certain liabilities assumed by the Authority.

Basis of Accounting

The financial statements of the Authority are prepared using the accrual basis of accounting; revenues are recorded when earned and expenses are recorded as incurred. The Authority has elected, under GASB Statement Number 20, to apply all Financial Accounting Standards Board (FASB) statements issued after November 30, 1989 (unless they conflict with or contradict GASB pronouncements).

Revenues from property taxes, airlines, concessions, and parking are reported as operating revenues. Transactions which are capital, financing or investing related are reported as non-operating. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

The Authority's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Authority first utilizes restricted resources to finance qualifying activities.

Cash and Cash Equivalents

The Authority considers deposits in money market accounts and all highly liquid investments with a maturity of ninety days or less when purchased to be cash equivalents.

Investments

Investments are carried at fair market value based on quoted market prices.

Property and Equipment

Property and equipment is stated at cost, with the exception of the property transferred to the Authority from the City, which is stated at the fair market value at the date of transfer. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (from the date placed in service or, if applicable, transfer date) as follows:

Buildings	25 years
Equipment	5 to 20 years

Expenditures for property and equipment and for major renewal and betterments that extend the useful life of the assets are capitalized; routine maintenance and repairs are charged to expense as incurred. At the time fixed assets are sold, retired or disposed of, the costs of such assets and related accumulated depreciation are removed from the accounts and any gain or loss is then reflected in the results of operations.

Bishop International Airport Authority
Notes to Financial Statements
December 31, 2006

Deferred Revenues

Deferred revenues represent the property taxes levied as of December 1, 2006 and 2005, respectively, and are recorded as property taxes receivable at December 31. These property taxes are levied for the operations of the succeeding calendar year and, therefore, have been deferred.

Sick and Vacation Policy

Employees accrue vacation leave at various rates depending on length of service. Accrual rates range from 40 hours per year for those with less than two years of service to 166 hours per year for those with more than nineteen years of service. The maximum number of hours that can be accrued range from 100 to 290 hours depending on length of service. Upon termination of employment from the Authority, the employee shall be compensated for their accrued leave at their current rate of pay.

Sick leave benefits accrue for full-time employees at the rate of 52 hours per year for those that participate in the Retirement Health Savings Plan or 104 hours per year for non-participants. Sick leave accrues from the date of employment to a maximum of 720 hours.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain balances in the prior year financial statements have been restated for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 - Transfer of Assets and Liabilities from the City

In connection with the lease agreement between the Authority and the City, the City agreed to transfer certain assets of Bishop International Airport to the Authority and the Authority agreed to assume certain liabilities that are summarized as follows:

Property and equipment (at fair market value)	\$ 21,443,900
Cash and other assets	255,813
Note payable assumed by the Authority	(1,215,400)
Long-term obligations owing to the City (see Note 7)	(1,205,000)
Other	<u>(11,757)</u>
Net assets transferred	<u><u>\$ 19,267,556</u></u>

During 1990, the City and the Authority finalized the negotiations as to the assets to be transferred under the lease agreement and the liabilities to be assumed by the Authority without any material impact to the amounts transferred.

Bishop International Airport Authority
Notes to Financial Statements
December 31, 2006

The Authority and the City have agreed to share the responsibility for known and unknown contingent liabilities arising prior to the Authority's operation of the Airport in accordance with a formula arrangement included in the lease agreement. Management believes that there is no significant exposure of loss to the Authority under the terms of the lease agreement that would materially affect the financial statements.

NOTE 3 – Deposits and Investments

The Authority's deposits and investments were reported in the basic financial statements in the following categories:

	2006
Cash	\$ 9,989,323
Investments	4,535,962
	<u>\$ 14,525,285</u>

The breakdown between deposits and investments for the Authority is as follows:

	2006
Deposits (checking, savings accounts, money markets, certificates of deposits)	\$ 8,382,700
Investments in securities, mutual funds, and similar vehicles	6,142,185
Petty cash and cash on hand	400
	<u>\$ 14,525,285</u>

As of December 31, 2006, the Authority had the following investments :

Investment	Fair Value	Weighted Avg Maturity	Rating	Rating Organization
GE Capital Corp	\$ 850,000	< 3 mos.	A-1 +	S&P
AIG Funding Inc	1,150,000	< 1 mo.	A-1 +	S&P
U.S. Treasury Notes	2,681,476	11 mos.		
Federal Home Loan Banks	438,828	16 mos.	Aaa	S&P
Financing Corporation Coupon FICO Strips	<u>1,021,881</u>	5.5 years		
	<u>\$ 6,142,185</u>			

Bishop International Airport Authority
Notes to Financial Statements
December 31, 2006

Interest rate risk – The Authority does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Authority is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The Authority has no policy that would limit the amount that may be invested with any one issuer. Investments in the AIG Funding, Inc, Federal Home Loan Banks, and Financing Corporation Coupon FICO Strips exceed 5% of the total investments for year ended December 31, 2006.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2006, \$ 7,790,888 of the Authority's deposit balance of \$ 8,616,267 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2006, \$ 5,008,141 of the Authority's investments of \$ 6,142,185 was exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the Authority's brokerage firm which is also a counterparty for these particular securities.

NOTE 4 - Property Taxes

In connection with the State statute establishing the Authority, the Authority levies ad valorem property taxes for the operation of the Airport. The property tax is levied each December 1 on the taxable value of property located in the County as of the preceding December 31 (lien date). Taxable values are established annually by cities and townships and are equalized by the County and State at 50% of estimated current market value. Real and personal property in the County for the December 1, 2006 levy (2007 revenue) was equalized at \$ 11.321 billion. The 2006 operating tax rate was .4847 mills (limited to .5 mills).

Taxes collected by the cities and townships and remitted to the Authority are recorded as receivable on the levy date. Property taxes become delinquent on March 1 of the year following the levy, at which time the County remits the delinquent portion of the real property taxes to the Authority. Delinquent personal property taxes are collected by the various municipalities and are remitted to the Authority periodically.

Bishop International Airport Authority
Notes to Financial Statements
December 31, 2006

NOTE 5 - Capital Assets

Capital asset activity for the Authority for the year ended December 31, 2006 was as follows:

	Balance December 31, 2005	Additions	Disposal and Adjustments	Balance December 31, 2006
Assets not being depreciated:				
Land	\$ 22,915,301	\$ -	\$ -	\$ 22,915,301
Land improvements	68,032,133	1,665,385	-	69,697,518
Construction in progress	9,157,930	12,208,970	7,111,291	14,255,609
Other capital assets:				
Buildings	48,412,047	5,634,095		54,046,142
Equipment	5,518,853	1,083,122	851,322	5,750,653
Subtotal	154,036,264	20,591,572	7,962,613	166,665,223
Accumulated depreciation:				
Buildings	15,993,665	2,245,560		18,239,225
Equipment	3,624,620	413,219	103,134	3,934,705
Subtotal	19,618,285	2,658,779	103,134	22,173,930
Net capital assets	<u>\$ 134,417,979</u>	<u>\$ 17,932,793</u>	<u>\$ 7,859,479</u>	<u>\$ 144,491,293</u>

Capital asset activity for the Authority for the year ended December 31, 2005 was as follows:

	Balance December 31, 2004	Additions	Disposal and Adjustments	Balance December 31, 2005
Assets not being depreciated:				
Land	\$ 19,706,080	\$ 3,209,221	\$ -	\$ 22,915,301
Land improvements	65,053,413	2,978,720	-	68,032,133
Construction in progress	14,723,931	7,992,908	13,558,909	9,157,930
Other capital assets:				
Buildings	41,098,326	7,313,721		48,412,047
Equipment	5,054,775	620,012	155,934	5,518,853
Subtotal	145,636,525	22,114,582	13,714,843	154,036,264
Accumulated depreciation:				
Buildings	13,965,415	2,028,250		15,993,665
Equipment	3,392,953	382,714	151,047	3,624,620
Subtotal	17,358,368	2,410,964	151,047	19,618,285
Net capital assets	<u>\$ 128,278,157</u>	<u>\$ 19,703,618</u>	<u>\$ 13,563,796</u>	<u>\$ 134,417,979</u>

The construction in progress as of December 31, 2006 and 2005 of \$ 14,255,609 and \$ 9,157,930, respectively, relates to various projects being funded by federal, state and local

Bishop International Airport Authority
Notes to Financial Statements
December 31, 2006

grants as well as bond proceeds. All federal and state funds are administered by the Michigan Department of Transportation.

Depreciation expense for the years ended December 31, 2006 and 2005 was \$ 2,658,779 and \$ 2,410,964, respectively.

NOTE 6 - Long-Term Obligations

The long-term obligation activity for the year ended December 31, 2006 of the Authority can be summarized as follows:

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Amount Due Within One Year
Bonds					
Series 1999-A	\$ 10,555,000			\$ 10,555,000	
Series 1999-B	12,360,000		\$ 805,000	11,555,000	\$ 845,000
Series 2003-A	8,635,000		300,000	8,335,000	320,000
Premium on bonds	50,289		3,275	47,014	
City of Flint	1,336,000			1,336,000	
Total	<u>\$ 32,936,289</u>	<u>\$ -</u>	<u>\$ 1,108,275</u>	<u>\$ 31,828,014</u>	<u>\$ 1,165,000</u>

The long-term obligation activity for year ended December 31, 2005 of the Authority can be summarized as follows:

	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Amount Due Within One Year
Bonds					
Series 1999-A	\$ 10,555,000			\$ 10,555,000	
Series 1999-B	13,130,000		\$ 770,000	12,360,000	\$ 805,000
Series 2003-A	8,920,000		285,000	8,635,000	300,000
Premium on bonds	53,422		3,133	50,289	
GM property tax settlement	5,382		5,382	-	
City of Flint	1,336,000			1,336,000	
Total	<u>\$ 33,999,804</u>	<u>\$ -</u>	<u>\$ 1,063,515</u>	<u>\$ 32,936,289</u>	<u>\$ 1,105,000</u>

Bishop International Airport Authority
Notes to Financial Statements
December 31, 2006

The annual requirements to pay principal and interest (excluding amortization of costs of issuance and original issue discount or premium) on the long-term obligations at December 31, 2006 are summarized as follows:

Year Ended December 31,	Principal	Interest	Total
2007	\$ 1,165,000	\$ 1,479,128	\$ 2,644,128
2008	1,220,000	1,427,278	2,647,278
2009	1,285,000	1,372,878	2,657,878
2010	1,350,000	1,315,452	2,665,452
2011	1,415,000	1,253,728	2,668,728
2012-2016	9,621,000	5,159,436	14,780,436
2017-2021	10,665,000	2,898,885	13,563,885
2022-2023	5,060,000	381,820	5,441,820
Total debt payments	<u>\$ 31,781,000</u>	<u>\$ 15,288,605</u>	<u>\$ 47,069,605</u>

In April 1999, The Authority issued the following bond issues:

- Series 1999-A Limited Tax General Obligation Refunding Bonds - These bonds, in the amount of \$ 10,555,000, were issued for the purpose of refunding all of the Authority's outstanding 1991 series and 1992 series of bonds. Interest is payable semi-annually on June 1 and December 1 each year at rates ranging from 5.100% to 5.150%. Final payment is due in December 2023. There was \$ 148,122 of issuance costs and \$ 234,703 of original issue discounts when the bonds were issued of which \$ 148,122 and \$ 234,703, respectively, remain unamortized at December 31, 2006.
- Series 1999-B Airport Revenue Bonds - These bonds, in the amount of \$ 14,500,000, were issued for the purpose of acquiring and improving land for use as airport parking or other airport use and expanding and equipping the existing terminal building. Interest is payable semi-annually on June 1 and December 1 each year at rates ranging from 4.750% to 5.250%. Final payment is due in December 2017. There was \$ 316,687 of issuance costs and \$ 58,996 of original issue premium when the bonds were issued of which \$ 252,366 and \$ 47,014, respectively, remain unamortized at December 31, 2006.

During 2003, the Authority issued Series 2003-A Airport Revenue Bonds:

- These bonds, in the amount of \$ 9,150,000, were issued for the purpose of paying, and reimbursing the Authority for, part of the cost of improving, renovating, enlarging and extending the Bishop International Airport Authority and paying the cost of issuing the bonds. Interest is payable semi-annually on June 1 and December 1 each year at rates ranging from 3.000% to 5.000%. Final payment is due December 2023. There was \$ 300,366 of issuance costs and \$ 91,478 of original issue discount when the bonds were issued of which \$ 273,612 and \$ 83,330, respectively, remain unamortized at December 31, 2006.

During 1990, the City and the Authority finalized the negotiations as to the assets to be transferred under the lease agreement and the liabilities to be assumed by the Authority. In a memorandum of understanding, the City agreed to pay to the Authority \$ 100,000 and waive

Bishop International Airport Authority
Notes to Financial Statements
December 31, 2006

the three payments of \$ 55,000 a year due to the City in 1991, 1992 and 1993; a total of \$165,000. The Authority agreed to pay \$ 1,336,000 due in the year 2012.

Total interest charged to expense for the years ended December 31, 2006 and 2005 was \$ 1,523,998 and \$ 1,225,228.

NOTE 7 - Deferred Compensation Plan

The Authority offers all full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of the Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with accounting principles generally accepted in the United States of America, plan balances and activities are not reflected in the Authority's financial statements.

NOTE 8 - Pension Plan

Plan Description

The Authority's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Authority is affiliated with the State of Michigan Municipal Employees Retirement System (MERS), which is an agent, multiple-employer pension plan. The Michigan Employees' Retirement Act of 1984, as amended by Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the provisions of the plans that participate in MERS to the respective employers; for the Authority, that responsibility rests with the Board of Directors. MERS issues a publicly available financial report that may be obtained by writing to State of Michigan Municipal Employees Retirement System, 447 North Canal Road, Lansing, Michigan, 48917 or by calling 1-800-767-6377.

Funding Policy

The Authority members are required to contribute 5% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate; the rate for 2004 was 8.81% of annual covered payroll. The contribution requirements of plan members and the Authority are established and may be amended by the Authority Board of Directors.

Annual Pension Cost

For 2006, the Authority's annual pension cost of \$ 142,148 was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal cost funding method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.00%, (b) projected salary increases of 4.50% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.00% to 8.40% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.50% per year (annually) after retirement. The actuarial value of MERS assets was determined using

Bishop International Airport Authority
Notes to Financial Statements
December 31, 2006

techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. MERS unfunded actuarial accrued liability is being amortized as a level percentage of payroll contributions.

Three-Year Trend Information

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2004	\$ 102,360	111%	-
12/31/2005	101,256	121%	-
12/31/2006	129,060	110%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date December 31,</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (UAL)</u>	<u>Unfunded UAL</u>	<u>Funded Ratio</u>	<u>Percentage of Covered Payroll</u>
2003	\$ 2,200,491	\$ 2,412,755	\$ 212,264	91%	18%
2004	2,516,957	2,927,312	410,355	86%	31%
2005	2,830,736	3,328,225	497,489	85%	36%

In addition to the above MERS plan, all Authority management are covered by a noncontributory defined contribution plan administered by ICMA. Total pension costs charged to operations in 2006 and 2005 approximated \$ 133,100 and \$ 129,900, respectively. Covered payroll for these individuals approximated \$ 665,400 and \$ 649,400, respectively.

NOTE 9 - Post-employment Benefits Other Than Pensions

Effective June 18, 2006, the Authority offered all full-time employees participation in a defined contribution health savings plan whereby upon termination of employment from the Authority participants can use the funds to be reimbursed for medical and dental expenses. The plan is administered by ICMA. Upon election of participation, eligible employees could elect to place up to 100 hours of accumulated sick and/or vacation hours into the plan or elect to put all accumulated sick time into the plan upon termination. The Authority is required to contribute 2.5% of participants' salaries each plan year. As of December 31, 2006, the Authority contributed \$ 38,491 to the plan.

Bishop International Airport Authority
Notes to Financial Statements
December 31, 2006

NOTE 10 - Leases on Lessor's Books

The Authority has entered into contracts with various lessees to carry on related aviation activities. The obligation of the lessees to the Authority for the next 5 years is as follows:

Payments Receivable In	Guaranteed Lease Payment
2007	\$ 1,029,606
2008	953,049
2009	681,527
2010	211,998
2011	211,998
Total	<u>\$ 3,088,178</u>

Minimum future rentals do not include contingent rentals, which are received as stipulated in the lease agreements and are based on the level of activity of the various lessees. These contingent rentals occur only if the level of activity exceeds certain minimums as designated in the contracts. Contingent rentals amounted to approximately \$ 1,453,000 and \$ 1,407,000 for 2006 and 2005, respectively .

NOTE 11 - Contingencies and Commitments

The Authority is the defendant in various lawsuits. In the opinion of counsel, there is insufficient information to determine the outcome or the financial consequences, if any, of the litigation. No liability or reserve has been established for any potential claims.

The Authority has approximately \$ 689,400 in unfinished construction contracts at December 31, 2006. The original amount of the contracts was approximately \$ 741,300.

NOTE 12 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Authority has purchased commercial insurance for all risk above minimal deductible amounts. In addition, all tenants and users of the Airport are required to have commercial insurance coverage naming the Authority as additional insured. No liability is recorded at December 31, 2006 for outstanding claims or for any potential claims incurred but not reported as of that date.

Additional Information



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Fax (810) 732-6118

Independent Auditors' Report on Additional Information

Board of Directors
Bishop International Airport Authority

Our report on our audit of the financial statements of Bishop International Airport Authority for the years ended December 31, 2006 and 2005 appear on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information contained on the following pages 23 to 28 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Yeo & Yeo, P.C.

Flint, Michigan
February 12, 2007

Bishop International Airport Authority
Summary of Historical Financial Operations
Fiscal Years Ended December 31, 2001 Through 2006

	2001	2002	2003	2004	2005	2006
Operating revenues						
Property taxes	\$ 3,921,683	\$ 4,181,699	\$ 4,551,715	\$ 4,458,451	\$ 4,892,602	\$ 5,012,589
Rental of facilities	1,601,308	1,676,649	1,934,584	2,204,465	2,112,673	2,460,076
Parking lot fees	2,161,866	2,571,958	3,356,440	4,039,171	3,871,931	4,283,192
Landing fees	351,345	414,412	506,362	591,821	537,419	489,954
Other (Single Business Tax, Fuel Flowage, Other)	161,873	610,131	365,863	431,004	214,873	212,478
Total Operating Revenues	8,198,075	9,454,849	10,714,964	11,724,912	11,629,498	12,458,289
Operating expenses						
Salaries, wages, benefits	2,566,051	2,702,463	2,703,885	2,937,073	3,254,717	3,401,569
Depreciation	1,350,736	1,959,392	2,003,505	2,073,250	2,410,964	2,658,779
Marketing/Public Relations	538,836	739,753	763,035	787,430	888,781	880,258
Contractual services	1,078,153	1,174,458	1,318,208	1,474,036	1,548,891	2,140,377
Utilities	450,976	505,308	508,445	600,310	669,502	789,263
Repairs & Maintenance	383,801	378,472	411,106	423,688	516,832	569,740
Insurance and Other	170,883	199,491	244,822	264,955	280,210	297,718
Total Operating Expenses	6,539,436	7,659,337	7,953,006	8,560,742	9,569,897	10,737,704
Operating Income	1,658,639	1,795,512	2,761,958	3,164,170	2,059,601	1,720,585
Non operating revenues (expenses)						
Passenger facility charges	968,362	1,630,018	2,210,902	2,591,996	2,371,013	2,324,000
Interest revenue	511,537	253,007	199,591	292,976	506,588	649,396
Interest expense	(1,334,059)	(1,290,823)	(1,301,511)	(1,400,643)	(1,225,228)	(1,523,998)
Other		(10,820)	(14,925)	(29,568)	(25,889)	(27,430)
Capital Grants	11,233,433	2,718,388	3,714,026	2,879,109	4,477,384	11,576,169
Net Income	<u>\$ 13,037,912</u>	<u>\$ 5,095,282</u>	<u>\$ 7,570,041</u>	<u>\$ 7,498,040</u>	<u>\$ 8,163,469</u>	<u>\$ 14,718,722</u>

Bishop International Airport Authority
Taxable Value
Fiscal Years Ended or Ending December 31, 2003 through 2007

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Authority's Fiscal Years Ended or Ending December 31	Ad Valorem Taxable Value	Percent Increase Over Prior Year
2001	2002	2003	\$ 9,166,011,516	6.67%
2002	2003	2004	9,605,388,204	4.79%
2003	2004	2005	10,108,083,643	5.23%
2004	2005	2006	10,721,826,321	6.07%
2005	2006	2007	11,320,948,189	5.59%

Per Capita Taxable Value for the fiscal year ending December 31, 2006 \$ 23,176.18

Maximum Property Tax Rate
Fiscal Years Ending December 31, 2003 Through 2007

Authority's Fiscal Years Ended or Ending December 31	Millage Classification	Millage Authorized	Applicable Millage Reduction Fraction	Maximum Allowable Millage
2003	Operating	0.5000	0.9772	0.4886
2004	Operating	0.5000	0.9722	0.4861
2005	Operating	0.5000	0.9698	0.4849
2006	Operating	0.5000	0.9698	0.4849
2007	Operating	0.5000	0.9694	0.4847

Bishop International Airport Authority
Authority Debt
December 31, 2006

The following table reflects a breakdown of the Authority's direct and overlapping debt as of December 31, 2006
The Authority's ability to levy its ad valorem property tax is subject to applicable charter, statutory and constitutional limitations.

Authority Direct Debt

Limited Tax General Obligation Refunding Bonds, Series 1999-A	\$ 10,555,000
Airport Revenue Bonds, Series 1999-B	11,555,000
Airport Revenue Bonds, Series 2003-A	8,335,000
Total Direct Debt	<u>\$ 30,445,000</u>

Per Capita Net Authority Direct Debt (2)	\$ 69.81
Percent of Net Direct Debt to SEV (3)	0.28%

Underlying Debt of the Authority (1)

Cities	\$ 47,662,406
Townships	47,116,861
Villages	867,727
School Districts	390,694,070
Community Colleges	87,228,204
Intermediate School District	3,076
Total Underlying Debt	<u>\$ 573,572,344</u>

Per Capita Net Underlying Debt (2)	\$ 1,315.11
Percent of Net Underlying Debt to SEV (3)	5.35%

Total Net Direct and Underlying Debt	<u>\$ 604,017,344</u>
--------------------------------------	-----------------------

Per Capita Net Direct and Underlying Debt (2)	\$ 1,384.91
Percent of Net Direct and Underlying Debt to SEV (3)	5.63%

- (1) Underlying debt is the debt of the municipal entities located in the County.
(2) Based on current population estimate of 436,141
(3) Based on SEV of \$ 10,721,826,321, which is the Authority's SEV for the fiscal year ended December 31, 2006.

Bishop International Airport Authority
Recast Historical Pro-Forma Debt Service Coverage
Fiscal Years Ended December 31, 2001 Through 2006

	2001	2002	2003	2004	2005	2006
<u>Series 1999-A Bonds</u>						
Property Taxes	\$ 3,921,683	\$ 4,181,699	\$ 4,551,715	\$ 4,458,451	\$ 4,892,602	\$ 5,012,589
Debt Service on the Series 1999-A Bonds	532,075	532,075	532,075	532,075	532,075	532,075
Series 1999-A Bonds Debt Service Coverage	7.37	7.86	8.55	8.38	9.20	9.42
<u>Revenue Bonds</u>						
Net Income Available for the Revenue Bonds						
Debt Service	\$ 3,957,199	\$ 5,105,854	\$ 6,643,881	\$ 7,590,317	\$ 6,816,091	\$ 6,820,685
Debt Service on Revenue Bonds	1,437,043	1,438,669	1,438,668	2,081,818	2,098,353	2,101,303
Revenue Bonds Debt Service Coverage	2.75	3.55	4.62	3.65	3.25	3.25
<u>Combined Bonds</u>						
Net Income Available for the Revenue Bonds						
Debt Service	\$ 3,957,199	\$ 5,105,854	\$ 6,643,881	\$ 7,590,317	\$ 6,816,091	\$ 6,820,685
Plus: Debt Service on the Series 1999-A Bonds	532,075	532,075	532,075	532,075	532,075	532,075
Combined Amounts Available for Debt Service	4,489,274	5,637,929	7,175,956	8,122,392	7,348,166	7,352,760
Combined Debt Service Requirements	1,969,118	1,970,744	1,970,743	2,613,893	2,630,428	2,633,378
Combined Debt Service Coverage	2.28	2.86	3.64	3.11	2.79	2.79

Bishop International Airport Authority
Airlines Providing Service to the Airport

Current Passenger Carriers

<u>Carrier</u>	<u>Cities Served</u>	<u>2006 Enplaned Passengers</u>	<u>Percentage of Total</u>
Northwest Airlines/Mesaba	Detroit, Minneapolis, Tampa, Orlando, Ft. Myers, Las Vegas	214,261	39.99%
AirTran Airlines	Atlanta, Orlando, Ft. Myers, Las Vegas, Tampa	196,457	36.67%
Comair, Inc./Delta Connection	Atlanta	62,841	11.73%
American Eagle	Chicago (O'Hare)	35,870	6.70%
Midwest Connect	Milwaukee	13,755	2.57%
Continental	Cleveland	12,276	2.29%
Various	Las Vegas	284	0.05%
		<u>535,744</u>	<u>100.00%</u>

Historical Passenger Enplanements by Carrier

<u>Carrier</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Northwest Airlines/Mesaba	161,229	182,410	179,230	257,368	233,454	214,261
AirTran Airlines	99,993	120,794	168,311	174,670	211,605	196,457
Comair, Inc./Delta Connection	-	30,496	58,413	82,918	76,215	62,841
American Eagle	-	-	-	-	1,247	35,870
Midwest Connect	11,941	9,794	9,531	10,529	13,208	13,755
Continental Express	4,226	-	4,800	8,502	8,797	12,276
Charter Services	17,190	4,144	10,850	7,780	854	284
Chicago Express / ATA	-	19,338	51,140	59,602	13,322	-
USAIR Express	9,420	-	-	-	-	-
	<u>303,999</u>	<u>366,976</u>	<u>482,275</u>	<u>601,369</u>	<u>558,702</u>	<u>535,744</u>
Annual Percentage Change	-9.52%	20.72%	31.42%	24.69%	-7.09%	-4.11%

Bishop International Airport Authority
Airlines Providing Service to the Airport

Air Cargo and Freight Enplaned in pounds

<u>Carrier</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
FedEx	9,730,242	9,912,051	9,897,518	10,999,331	11,107,155	10,939,244
Airborne	1,323,299	1,528,662	1,439,100	1,444,569	1,794,872	2,638,373
CSA Air, Inc.	517,267	452,295	478,816	475,470	546,473	510,469
GVA (various)	333,270	432,196	267,462	445,082	278,801	107,845
Northwest (Mesaba)	42,788	20,977	17,374	4,270	7,526	2,914
American	-	-	-	-	-	1,271
Midwest Connect	22,466	22,212	16,188	15,838	9,445	398
Airtran	70	-	-	-	400	-
Mid-Atlantic	180,934	38,076	6,158	-	-	-
Comair, Inc./Delta Connection	-	2,646	1,076	-	-	-
Emery	512,431	-	-	-	-	-
USAIR	542	-	-	-	-	-
Continental Express	151	-	-	-	-	-
	<u>12,663,460</u>	<u>12,409,115</u>	<u>12,123,692</u>	<u>13,384,560</u>	<u>13,744,672</u>	<u>14,200,514</u>

Bishop International Airport Authority

Flint, Michigan

Single Audit Report

December 31, 2006

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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors
Bishop International Airport Authority
Flint, Michigan

We have audited the financial statements of Bishop International Airport Authority as of and for the year ended December 31, 2006, and have issued our report thereon dated February 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bishop International Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bishop International Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

(continued)

This report is intended solely for the information and use of management, members of the Board of Directors and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Flint, Michigan
February 12, 2007

**Report on Compliance with Requirements Applicable to Each Major Program and
Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors
Bishop International Airport Authority
Flint, Michigan

Compliance

We have audited the compliance of Bishop International Airport Authority with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2006. The Bishop International Airport Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Bishop International Airport Authority's management. Our responsibility is to express an opinion on Bishop International Airport Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bishop International Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bishop International Airport Authority's compliance with those requirements.

In our opinion, Bishop International Airport Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Bishop International Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bishop International Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

(continued)

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Bishop International Airport Authority as of and for the year ended December 31, 2006, and have issued our report thereon dated February 12, 2007, which is unqualified. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, members of the Board of Directors and federal awarding agencies, and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Flint, Michigan
February 12, 2007

Bishop International Airport Authority
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2006

<u>Federal Grantor / Program Name</u>	<u>Federal CFDA Number</u>	<u>State Project Number</u>	<u>Amount of Award</u>	<u>On Deposit (Accounts Payable) at December 31, 2005</u>	<u>Prior Year Disbursements</u>	<u>Grant Receipts</u>	<u>Paid Local and State Matching</u>	<u>Current Year Disbursements</u>	<u>On Deposit (Accounts Payable) at December 31, 2006</u>
Department of Transportation Airport Improvement Program	20.106								
		3-26-0032-3403	\$ 1,525,000	\$ 2,376	\$ 998,449	\$ 35,771	\$ 1,986	\$ 39,743	\$ 390
		3-26-0032-3604	800,000	2,552	697,918	95,111	2,503	100,117	49
		3-26-0032-3704	2,929,000		2,817,124	83,701	360	80,410	3,651
		3-26-0032-3805	305,000	886	269,544	28,452	749	29,949	138
		3-26-0032-3905	6,423,000	119,720	1,696,877	4,511,083	118,710	4,748,506	1,007
		3-26-0032-4006	365,000			136,555	12,718	143,742	5,531
		3-26-0032-4106	224,307			37,130	7,151	39,084	5,197
Total Department of Transportation			<u>\$ 12,571,307</u>	<u>\$ 125,534</u>	<u>\$ 6,479,912</u>	<u>\$ 4,927,803</u>	<u>\$ 144,177</u>	<u>\$ 5,181,551</u>	<u>\$ 15,963</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Bishop International Airport Authority
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2006

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. The State of Michigan Department of Transportation administers the various grants under CFDA #20.106 presented in the Schedule of Expenditures of Federal Awards. The Authority provides assurances to the Department of Transportation as to compliance with certain provisions of the projects.

Bishop International Airport Authority
Schedule of Findings and Questioned Costs
December 31, 2006

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ☐ Yes ☒ No
- Reportable conditions identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Reportable conditions identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133

☐ Yes ☒ No

Identification of major program:

CFDA Number
20.106

Name of Federal Program
Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Auditee qualified as low-risk auditee:

☒ Yes ☐ No

(continued)

Bishop International Airport Authority
Schedule of Findings and Questioned Costs
December 31, 2006

Government Auditing Standards Findings

There were no findings related to the financial statements that are required to be reported in accordance with auditing standards generally accepted in the United States of America for the year ended December 31, 2006.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended December 31, 2006.

Bishop International Airport Authority
Summary Schedule of Prior Audit Findings
December 31, 2006

There were no audit findings for the year ended December 31, 2005.



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February 12, 2007

To the Board of Directors
Bishop International Airport Authority

We have audited the financial statements of Bishop International Airport Authority for the years ended December 31, 2006 and 2006, and have issued our report thereon dated February 12, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated January 22, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Bishop International Airport Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Bishop International Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Bishop International Airport Authority's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Bishop International Airport Authority's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Bishop International Airport Authority's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bishop International Airport Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by Bishop International Airport Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Bishop International Airport Authority's financial reporting process (that is, cause future financial statements to be

materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Bishop International Airport Authority, either individually or in the aggregate, indicate matters that could have a significant effect on the Bishop International Airport Authority's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Bishop International Airport Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Directors and management of Bishop International Airport Authority and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank Jim Rice, Linda Brant and their staff for their assistance during the audit.

Very truly yours,

Yeo & Yeo, PC
CPA's and Business Consultants

By: 

Michael J. Frawley, CPA